

Chambersburg Area School District

Preliminary Discussion on Financing of Capital Projects

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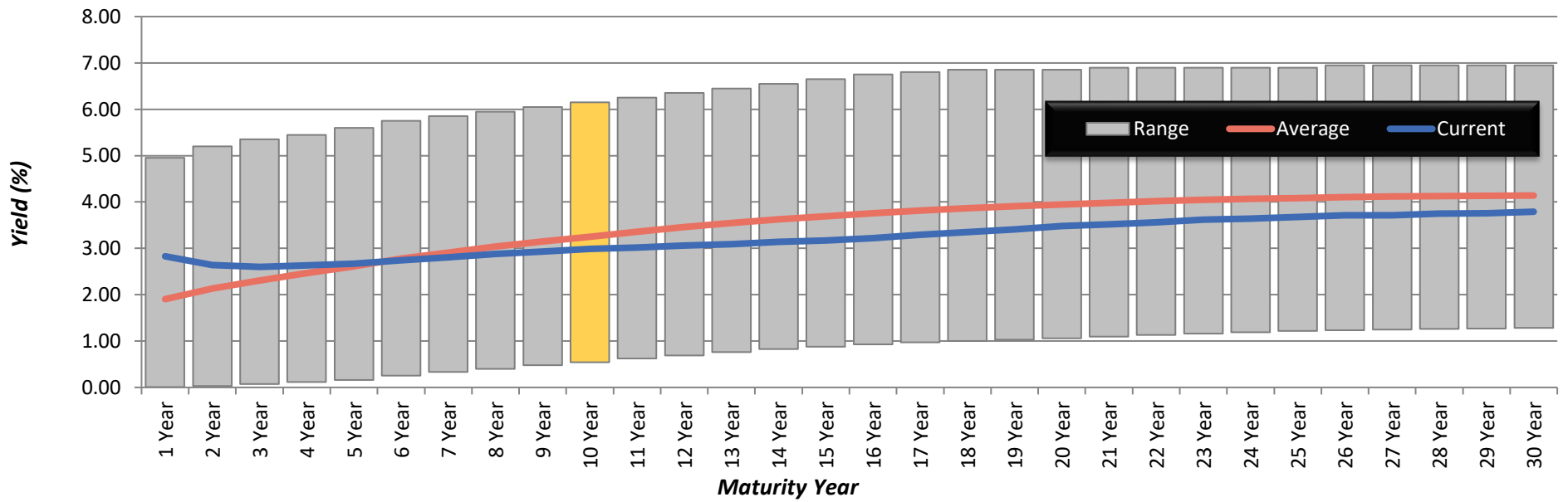
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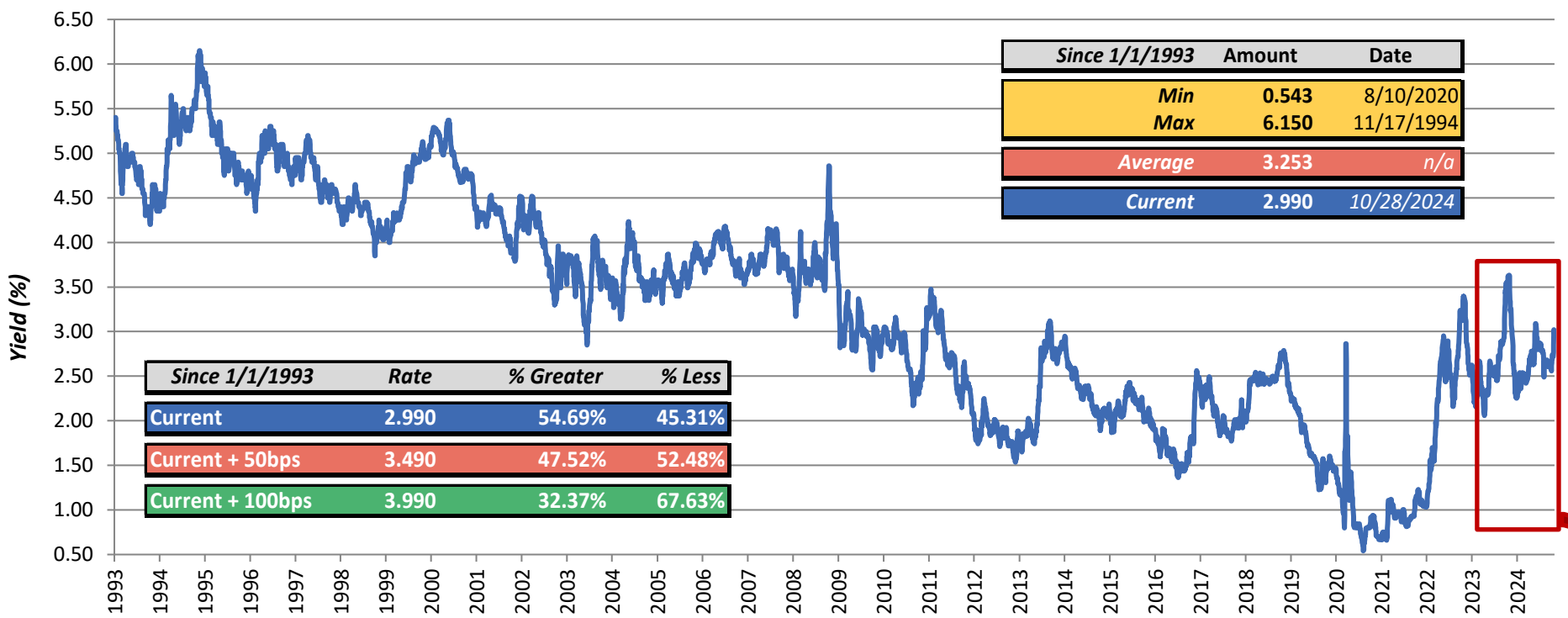
MUNICIPAL MARKET UPDATE

October 28, 2024

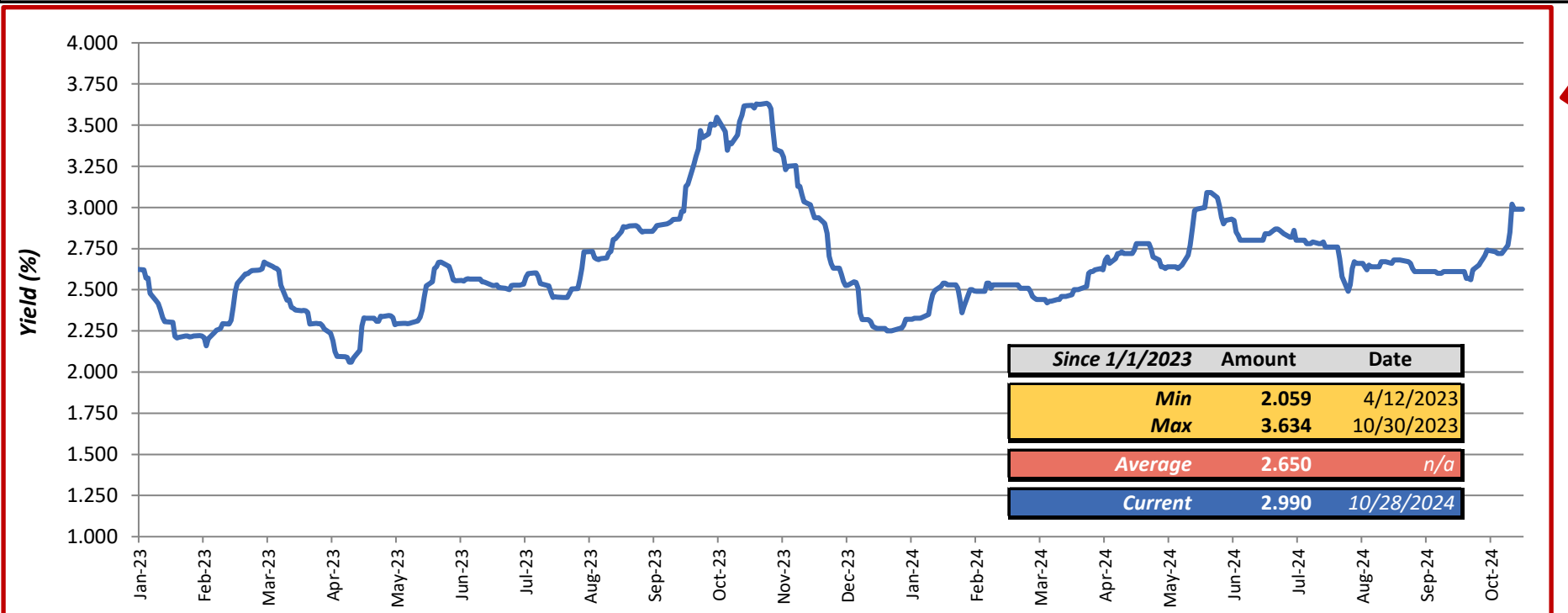
HISTORICAL BVAL CURVE ILLUSTRATION - SINCE JANUARY 1, 1993 [1]



SPOT ANALYSIS - 10 YEAR BVAL - SINCE JANUARY 1, 1993 [1]



SPOT ANALYSIS - 10 YEAR BVAL - SINCE JANUARY 1, 2023



[1] Datapoints prior to January 4, 2010 are provided by MMD, datapoints after January 4, 2010 are provided by BVAL.



Chambersburg Area School District

Borrowing Considerations

1. In Pennsylvania, borrowing regulations for School Districts are governed by the Local Government Unit Debt Act (LGUDA).

- a. School Districts must have *overall* level or declining annual debt service payments
- b. School Districts must stay within their legal borrowing capacity pursuant to LGUDA calculation:
 - i. For Chambersburg ASD, the current *approximate* debt capacity is shown below (changes over time as revenues increase and debt pays off):

Avg Annual "Revenue" : \$160.5 million x 2.25% = **\$361 million** (Borrowing Base)

Less Net Principal Outstanding: **\$129 million = \$232 million**

2. District's financing plan can be structured in phases/steps in advance and during the completion of the project:

- a. May allow for some bonds to be issued as "Bank Qualified" to allow bonds to have slightly lower interest rates and a better call (refinancing) provision (5 years).
 - i. \$10 million or less in a calendar year
- b. Issuing in phases/steps allows to phase in the budgetary impact within constraints of Act 1 and "right size" borrowing amounts.

3. Federal tax law recap: Federal tax laws permit an Issuer to borrow at a tax-exempt interest rate and invest the proceeds at an unlimited (taxable) yield, subject to arbitrage requirements, during the period of project construction, but only if the following three tests can be satisfied. **The governing board must reasonably expect at the time of the borrowing:**

- a. **Expenditure Test: Issuer will spend 85% of the proceeds within three years.**
- b. Time Test: Issuer will incur a substantial binding obligation (sign a design contract, award a construction bid) within 6 months, equal to at least 5% of the borrowing amount.
- c. Due Diligence Test: Construction of the project will proceed, and the bonds funds will be spent, with due diligence to completion.



Chambersburg Area School District

Project Funding Considerations/Strategies

- 1. Fit millage impact under Act 1 Allowable Index Increase (the “Index”)**
 - a. Increase every year starting to phase in millage as gradually as possible
 - b. The Base Index for PA School District’s for 2025/2026 is 4.0%.
 - c. CASD’s Adjusted Index for 2025/2026 is 5.3%.
 - d. Since 2014, CASD’s Adjusted Index has averaged 3.8% (lowest was 2.1% in 2013/2014)
 - e. Potential natural growth of RE Tax base

- 2. Use estimated interest earnings from construction fund toward project**
 - a. Input needed from architect on project schedule to determine approximate interest earnings which would then be used to downsize the total amount of bonds issued

- 3. Contribute cash or refunding savings towards Project**
 - a. Contribute a portion of existing reserves to help phase in millage impact and/or reduce final borrowing amount (Moody’s rating implications : current CASD Moody’s rating is “Aa3”).

- 4. Break borrowing into smaller portions over several years**
 - a. The District will have the ability to phase debt service into the budget more slowly
 - b. \$10,000,000 per calendar will allow for bank qualified borrowings (i.e. lower interest rates) and 5 year call features

- 5. Indirect Cost Savings**
 - a. Utilize potential operational or capital expenditure savings to reduce millage impact

- 6. Capitalize Interest**
 - a. The use of bond proceeds to phase the millage impact into the budget gradually
 - b. Increases the size of the bond issue

- 7. Debt Restructuring**
 - a. Restructure a portion of outstanding debt to create capacity for new debt

**CHAMBERSBURG AREA SCHOOL DISTRICT
SUMMARY OF PRELIM. NEW MONEY FINANCING ANALYSIS**

**ESTIMATED & PRELIMINARY FOR DISCUSSION PURPOSES:
Actual issuance timing and amounts will vary depending on future financing needs**

		1		2		3		4		5	
		STEP 1		STEP 2		STEP 3		STEP 4		TOTAL	
<i>Est. Available for Projects</i>		\$10,000,000		\$60,000,000		\$60,000,000		\$45,000,000		\$175,000,000	
<i>Est. Settlement</i>		August, 2025		April, 2026		April, 2027		April, 2028		<i>Plus: 2023 Bond Proceeds and potential District cash at end of project</i>	
<i>Bank Qualified Status</i>		Bank Qualified		Non-Bank Qualified		Non-Bank Qualified		Non-Bank Qualified			
<i>Approx. Structure</i>		25-Year Level Debt Service		25-Year Level Debt Service		25-Year Level Debt Service		25-Year Level Debt Service			
6	7	8	9	10	11	12	13	14	15	16	17
Fiscal Year Ending	Existing Debt Service*	Est. Annual Local Effort [1][2]	New Net Debt Service	Est. Annual Local Effort [1][2]	New Net Debt Service	Est. Annual Local Effort [1][2]	New Net Debt Service	Est. Annual Local Effort [1][2]	New Net Total Debt Service	Est. Annual Operating Expenses [3]	Debt Service As a % of Op. Exp.
6/30/2025	11,743,388		11,743,388		11,743,388		11,743,388		11,743,388	190,000,000	6.18%
6/30/2026	11,879,476	276,850	12,156,326		12,156,326		12,156,326		12,156,326	195,700,000	6.21%
6/30/2027	11,895,545	733,500	12,629,045	2,765,354	15,394,399		15,394,399		15,394,399	201,571,000	7.64%
6/30/2028	11,984,999	722,250	12,707,249	4,371,750	17,078,999	2,754,354	19,833,353		19,833,353	207,618,130	9.55%
6/30/2029	11,986,828	721,000	12,707,828	4,369,000	17,076,828	4,354,750	21,431,578	3,187,313	24,618,890	213,846,674	11.51%
6/30/2030	11,936,648	719,250	12,655,898	4,408,000	17,063,898	4,362,250	21,426,148	3,189,250	24,615,398	220,262,074	11.18%
6/30/2031	12,053,530	722,000	12,775,530	4,371,500	17,147,030	4,366,000	21,513,030	3,189,750	24,702,780	226,869,936	10.89%
6/30/2032	12,183,580	719,000	12,902,580	4,368,000	17,270,580	4,351,000	21,621,580	3,187,750	24,809,330	233,676,034	10.62%
6/30/2033	12,215,034	720,500	12,935,534	4,370,750	17,306,284	4,353,000	21,659,284	3,188,250	24,847,534	240,686,315	10.32%
6/30/2034	12,301,457	721,250	13,022,707	4,369,250	17,391,957	4,356,000	21,747,957	3,186,000	24,933,957	247,906,905	10.06%
6/30/2035	12,011,366	721,250	12,732,616	4,368,500	17,101,116	4,354,750	21,455,866	3,186,000	24,641,866	255,344,112	9.65%
6/30/2036	12,011,890	720,500	12,732,390	4,368,250	17,100,640	4,354,250	21,454,890	3,188,000	24,642,890	263,004,435	9.37%
6/30/2037	10,426,504	719,000	11,145,504	4,368,250	15,513,754	4,354,250	19,868,004	3,186,750	23,054,754	270,894,569	8.51%
6/30/2038	1,537,735	721,750	2,259,485	4,368,250	6,627,735	4,354,500	10,982,235	3,187,250	14,169,485	279,021,406	5.08%
6/30/2039	1,542,673	718,500	2,261,173	4,368,000	6,629,173	4,354,750	10,983,923	3,189,250	14,173,173	287,392,048	4.93%
6/30/2040	1,221,260	719,500	1,940,760	4,372,250	6,313,010	4,354,750	10,667,760	3,187,500	13,855,260	296,013,809	4.68%
6/30/2041	690,973	719,500	1,410,473	4,380,500	5,790,973	4,354,250	10,145,223	3,187,000	13,332,223	304,894,223	4.37%
6/30/2042	689,823	718,500	1,408,323	4,377,250	5,785,573	4,353,000	10,138,573	3,187,500	13,326,073	314,041,050	4.24%
6/30/2043	687,498	721,500	1,408,998	4,367,750	5,776,748	4,355,750	10,132,498	3,188,750	13,321,248	323,462,282	4.12%
6/30/2044	688,978	723,250	1,412,228	4,367,000	5,779,228	4,352,000	10,131,228	3,185,500	13,316,728	333,166,150	4.00%
6/30/2045	689,000	718,750	1,407,750	4,369,250	5,777,000	4,351,750	10,128,750	3,187,750	13,316,500	343,161,135	3.88%
6/30/2046	687,000	723,250	1,410,250	4,369,000	5,779,250	4,354,500	10,133,750	3,190,000	13,323,750	353,455,969	3.77%
6/30/2047	688,750	721,250	1,410,000	4,371,000	5,781,000	4,354,750	10,135,750	3,187,000	13,322,750	364,059,648	3.66%
6/30/2048	689,000	723,000	1,412,000	4,369,750	5,781,750	4,352,250	10,134,000	3,188,750	13,322,750	374,981,437	3.55%
6/30/2049	687,750	723,250	1,411,000	4,370,000	5,781,000	4,351,750	10,132,750	3,184,750	13,317,500	386,230,880	3.45%
6/30/2050		722,000	722,000	4,371,250	5,093,250	4,352,750	9,446,000	3,185,000	12,631,000	397,817,807	3.18%
6/30/2051		719,250	719,250	4,368,000	5,087,250	4,354,750	9,442,000	3,189,000	12,631,000	409,752,341	3.08%
6/30/2052						4,352,250	4,352,250	3,186,250	7,538,500	422,044,911	1.79%
6/30/2053								3,186,750	3,186,750	434,706,258	0.73%
6/30/2054											
6/30/2055											
TOTAL	165,130,683	18,309,600	183,440,283	107,687,854	291,128,137	107,264,354	398,392,491	79,687,063	478,079,554		

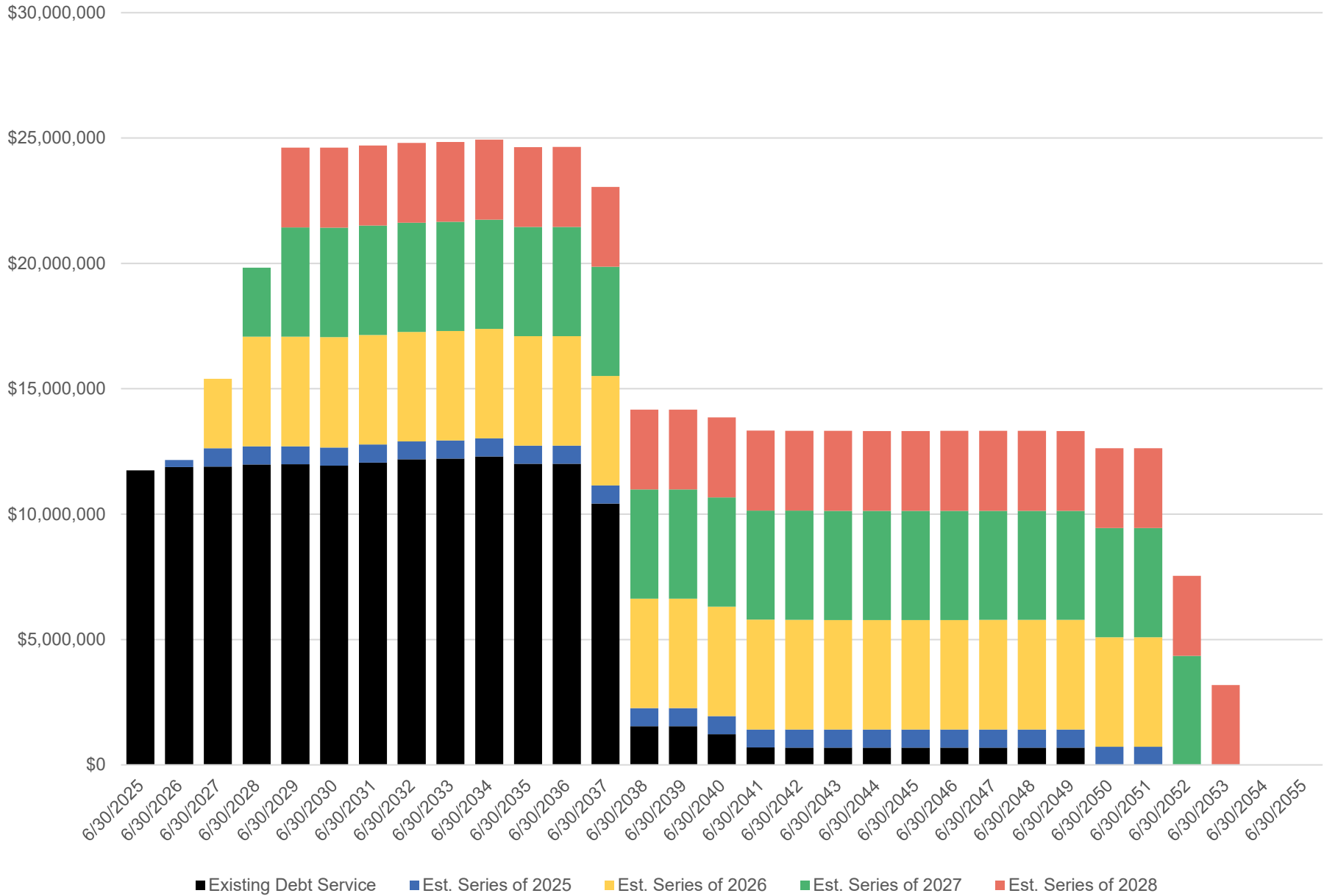
*Existing debt service includes CASD's approx. portion of the FCCTC's 2021 financing.

[1] Estimated based on current market conditions. Actual interest rates to be determined at time of pricing.

[2] Assumes no state reimbursement.

[3] For these purposes, based on discussions with the District, annual operating expenses assume a growth rate of 3.00%.

Estimated Debt Service for Preliminary \$175 Million Financing Plan





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